

NURSING HOME FACTS

Who we serve: the most frail and needy older Montanans. Montana's nursing homes provide care to our most vulnerable elderly—people who can no longer care for themselves. When even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help. Because of their many needs, these individuals require 24-hour care and are not candidates for other less intense services. Normally, these individuals have used all of their savings paying for their care, have sold their homes, and have otherwise impoverished themselves. Any income, including their social security checks, are applied to the cost of their care. They get to keep \$50 per month to meet any personal needs they may have such as shoes, clothing, hair cuts, and the like. These are people who have worked hard all their lives, paid taxes, and contributed to their communities, but now they are old and sick, and need our help.



The role of Medicaid in nursing homes—over 60% of our customers are on Medicaid. The State of Montana—through the Medicaid program—has taken on the responsibility of paying for the care of those who cannot afford their own care. About 64% of the people in our nursing homes are on Medicaid, and that percentage has been increasing in recent years. Because so many of our residents are on Medicaid, the Medicaid rates have a major impact on our ability to hire enough staff, to pay them a living wage, and to meet other necessary expenses.

Impact of inflation—what happens when Medicaid fails to recognize our cost increases? Facilities experience regular increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor, and basic every day necessities. When rates don't account for these cost increases, facilities take other steps to reduce costs including reducing hours and staff, limiting wage increases, and other steps that also affect the quality of care. On the revenue side, those who pay for their own care see significant rate increases and county facilities go to local taxpayers for more support.

Cost of regulations. Nursing homes are in the final phase of a three-phase implementation of extensive new federal regulations. The new regulations require new staff positions, more training, and more paperwork, which is very costly. When the federal government imposed the regulations, their estimate was they would cost every facility about \$60,000 a year. Industry estimates were much higher. Either way, these regulations cost Montana facilities millions of dollars.

Medicaid rates are significantly less than the cost of providing care. The current average rate paid to a nursing facility is \$204 for each day of care, while the current average cost is about \$235.00 for each day of care. On average, nursing homes currently lose about \$31 per day of care provided to Medicaid beneficiaries. These figures take into account the significant rate increases that went into effect during the 2019 biennium because of the increased bed tax being paid by the facilities.

Direct care wage increases have been specifically funded by the legislature. Nursing homes have worked hard, with help from the legislature, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract and retain needed staff, particularly CNAs. Our workers provide the most basic and intimate types of care to residents no longer able to care for themselves—providing personal hygiene needs as well as other physical, emotional and spiritual needs, often taking the place of absent family. This work is both physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.

Nursing homes as well as all human services providers who employ direct care workers are experiencing a critical shortage of workers. Low Medicaid rates that do not cover costs and fail to keep up with inflation contribute to this crisis. Unfortunately, we still find ourselves competing for workers with fast food chains and retail outlets like Costco.

The State of Montana General Fund (not attributable to the bed tax paid by nursing homes) pays only about 20% of the cost of nursing home care. For most Medicaid services, the State pays about 34% of the cost. For nursing homes, it is substantially less because of two factors: (1) the patient pays a considerable portion because all but \$50 per month of their income is used to pay for their own care; and (2) nursing homes pay a utilization fee (or bed tax) of \$15.30 per day on all patient days (not just Medicaid) which raises about \$22M to use as state match instead of using state general funds.

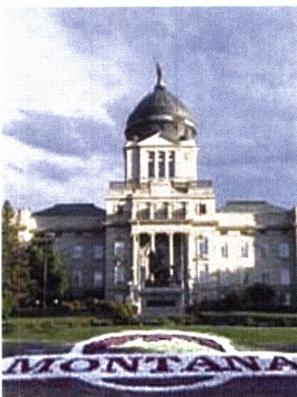
Nursing homes pay a “bed tax” to help fund nursing home care.

Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about \$22M annually. This money is used—instead of other state general funds or special funds—to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid rates. The 2017 legislative session approved an increase in the bed tax from \$8.30 per day to \$15.30 per day over the biennium. The funds were to be used only to increase nursing home rates above prior levels in order to get the rates closer to actual costs, to pay the costs associated with the new regulations, and to reduce the cost shift to other payers.

TOTAL AVERAGE RATE* \$204.00	
<i>Paid by patient</i>	\$ 32.50 (15.9%)
<i>Paid by nursing home bed tax in state special revenue fund and by bed tax deposited in general fund</i>	22.00 (10.8%)
<i>Paid by State General Fund (non-bed tax)</i>	38.02 (18.6%)
<i>Paid by Federal government</i>	111.48 (54.7%)

Counties with nursing homes also help fund Medicaid rates for nursing homes through the intergovernmental transfer (IGT) program. Counties provide funding to the state and the funds are used to match with federal funds to enhance Medicaid payments to nursing homes. About \$600,000 from the IGT program is diverted from the lump sum payments to nursing homes and are used instead to support the base rates in the nursing home and community services programs. Changes at the federal level limited this program in ways that make it difficult for some counties to fully participate. After the federal changes, funds available through this program have fluctuated wildly—with payment being as low as \$2 per patient day to non-county facilities and \$5 per day to county facilities, and as high as about \$9 per day to non-counties and \$18 to counties. For FY 18, non-county facilities received \$6.39 per Medicaid day and county facilities received \$17.24 per day. IGT funding is paid as a lump sum payment toward the end of the fiscal year and is not considered part of the rate. These payments use one time only (OTO) funds and are not a reliable funding source for ongoing expenses.

The State knows what it takes to operate a nursing home that provides high quality of care. The State operates a nursing home in Columbia Falls. The budget for that facility is regularly increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The State is doing the right thing in that facility—they are providing excellent care. But, the State spends over \$300 per day of care in its own nursing home, while asking other nursing homes to do the job for \$200 per day. The State consistently recognizes the factors contributing to increased costs at the State facility while ignoring the same pressures experienced by private businesses. Over the years, the executive has asked for increases for the state-run nursing home that far exceed increases to private nursing homes. This simply doesn’t make sense.



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State agencies receive inflationary increases as part of “current level.” Government agencies receive inflationary increases as part of “current level” to account for cost increases they know are coming, while those in the private sector have nothing for inflation in their current level appropriations. Failure to recognize inflation means that the State is not appropriating sufficient funds to maintain the current level of service.